

**Rating Action: Moody's assigns Aa3 to Banco del Estado de Chile's Euroyen senior notes**

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Global Credit Research - 16 Jan 2015

New York, January 16, 2015 -- Moody's Investors Service has assigned a Aa3 long-term foreign currency senior unsecured debt rating to Banco del Estado de Chile's (Banco Estado) issuance of JPY 31 billion (around US\$ 270 million) in senior notes under its US\$2 billion MTN program. The notes will mature in January 2020 and will be governed by the laws of the State of New York. The outlook on the rating is stable.

The following rating was assigned to Banco Estado's senior notes:

Long-term foreign currency senior unsecured debt: Aa3, stable outlook

**RATINGS RATIONALE**

The Aa3 foreign currency senior debt rating incorporates the bank's baseline credit assessment (BCA) of a3, and Moody's assumption of full support from the Chilean government in case of need, given the bank's policy mandate and its 100% sovereign ownership, as well as Banco Estado's significant deposit and lending franchise in Chile.

The bank's BCA reflects its core franchise strengths, including broad client coverage that ensures access to a granular and stable core deposit base, robust liquidity and favorable long term funding access. The bank's focus on providing housing finance to low-to-middle income individuals exposes it to asset quality risks, especially in light of our expectations that economic growth will remain subdued in 2015. However, Banco Estado's asset quality continued to improve as of September 2014, as delinquencies declined to their lowest level in three years, to 3.4% of gross loans from a peak of 5.7% in 2011. The bank's leaner pre-tax profitability, lower capitalization relative to peers and its high corporate borrower concentrations, are further negative credit drivers.

The last rating action on Banco del Estado de Chile was on 11 June 2013, when Moody's assigned a Aa3 foreign currency senior unsecured debt rating to the bank's JPY 24 billion (US\$243 million) issuance of senior notes, also under the US\$ 2 billion MTN program.

The principal methodology used in this rating was Global Banks published in July 2014. Please see the Credit Policy page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

Banco del Estado de Chile is headquartered in Santiago, Chile, and reported consolidated assets of about US\$45 billion and shareholders' equity of US\$1.8 billion as of September 2014. Banco Estado is the country's third largest bank and its sole government-owned full service commercial bank.

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